

ICC Docket No. 04-0779
ICC Staff Exhibit _____

Staff Cross Exhibit - MUDRA
Company January 7, 2005 Response to Deficiency Letter

OFFICIAL FILE

ICC DOCKET NO. 04-0779
Staff Exhibit No. 21

Witness _____

Date 5-19-06 Reporter [Signature]



**FOLEY & LARDNER LLP
ATTORNEYS AT LAW**

321 NORTH CLARK STREET
SUITE 2800
CHICAGO, IL 60610-4764
312.832.4500 TEL
312.832.4700 FAX
www.foley.com

WRITER'S DIRECT LINE
312.832.4920
jmccaffrey@foley.com EMAIL

CLIENT/MATTER NUMBER
459420-0106

January 7, 2005

VIA HAND DELIVERY

Thomas G. Aridas
Chief Administrative Law Judge
Illinois Commerce Commission
160 N. LaSalle St., Suite C-800
Chicago, IL 60601-3104

Re: Response to Deficiency Letter

Dear Judge Aridas:

This letter is provided in response to your letter of December 9, 2004 seeking information and clarification relating to the petition for a general rate increase filed by Northern Illinois Gas Company d/b/a Nicor Gas Company on November 4, 2004.

285.2065 Schedule B-7.2(c): Allowance for Funds Used During Construction.

The Company provided to Staff information concerning AFUDC for the test year and each of the three consecutive years immediately preceding the test year, but failed to provide the supporting work papers that include the detail of AFUDC for the 12 months of the test year. The work papers related to the test year must be provided.

RESPONSE: Workpapers related to the test year are attached.

285.3115 Schedule C-11.2(a): Number of Employees.

The Company's C-11.2(a) filing does not include information for the 2004 year. The missing information for the test (sic) year must be provided.

RESPONSE: Information for the 2004 year, identical to that which was provided in response to Staff Data Request LAP 2-05, is attached.

285.4010 Schedule D-1: Cost of Capital Summary.

While WP (D-1)2 provides monthly balances of common equity, it does not clearly indicate whether those common equity balances reflect present or proposed rates. If those balances reflect proposed rates, the Company must also provide common equity balances that reflect present rates.

RESPONSE: A footnote has been added to work paper (D-1)2 to indicate that all forecasted month-end balances are based on the present rates. Schedule D-1 (page 3 of 3) has also been revised to reflect the changes in Schedule D-3 discussed below.

BRUSSELS
CHICAGO
DETROIT
JACKSONVILLE

LOS ANGELES
MADISON
MILWAUKEE
NEW YORK

ORLANDO
SACRAMENTO
SAN DIEGO
SAN DIEGO/DEL MAR

SAN FRANCISCO
SILICON VALLEY
TALLAHASSEE
TAMPA

TOKYO
WASHINGTON, D.C.
WEST PALM BEACH

011.578480.1



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285.4030 Schedule D-3: Embedded Cost of Long-Term Debt, including Notes.

Consistent with 285.4030(e)(4), the workpapers supporting Schedule D-3 are missing item (B), the fact amount retired, and item (D), the call price. The missing data should be provided.

RESPONSE: The workpapers supporting Schedule D-3 have been revised to include the face amount retired and the call price. Schedule D-3 has been updated to reflect two corrected bond reacquisition dates and revised debt expense and discount amortization figures. As a result, the 2003 historical embedded cost of long-term debt increased from 6.78% to 6.79%.

285.4050 Schedule D-5: Unrecovered Common Equity Insurance Costs.

Section 285.4050(b)(7) requires the identification of the method of rate treatment approved by the Commission, including supporting documents. No such rate treatment was identified. Commission rate treatment must be identified and supporting documentation provided.

RESPONSE: A footnote has been added to Schedule D-5 to indicate that the Ill.C.C. has not previously approved a method of rate treatment for recovery of floatation costs.

285.4060 Schedule D-6: Cost of Common Equity Workpapers.

Pages 3,5,6,10-12,14-16 and 18 of WP(D-6)1 are partially illegible as follows:

Page 3: poor reproduction quality;

Page 5: numbers in last two columns of both tables illegible;

Page 6: poor reproduction quality;

Pages 10-12 and 14-16: work paper labels obscure some of the text; and

Page 18: poor reproduction quality.

Full, complete, and legible copies should be provided.

RESPONSE: Full, complete and legible copies of the following WP (D-6)1 workpapers are attached: pages 3, 5, 6, 10-12, 14-16 and 18.

285.4070 Schedule D-7: Comparative Financial Data.

285.4070(b)(1): The calculation of funds from operations does not include internal sources, although work papers WP(D-7)1 indicate the Company recorded possible internal sources of cash in its annual report to the ICC. (See, e.g., WP(D-7)1, p. 12, ll. 16-19.) If internal sources of cash exist, corrected calculations must be provided.

RESPONSE: The calculation of funds from operations excludes the following working-capital related items found in the 2003 Annual Report to the ICC p. 120: deferred/accrued gas costs (line 16), derivative instrument assets (line 18) and derivative instrument liabilities (line 19). The calculation has been revised to include changes in the mercury reserve (line 17) as a source and use of internal funds.

285.4070(b)(5)(A): The data in line 39 of Schedule D-7 incorrectly presents "total interest charges" rather than "cash interest paid." Corrected data must be provided.



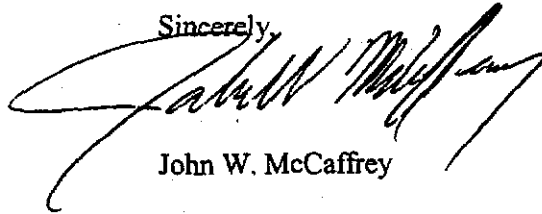
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RESPONSE: Line 39 of Schedule D-7 has been corrected to illustrate cash interest paid and WP(D-7)5 has been added to support those amounts.

As discussed previously, the 2003 embedded cost of debt has also been updated in the historical comparison.

Please contact me if you have any questions regarding this letter or its attachments.

Sincerely,



John W. McCaffrey

JWM/kdc

cc: Neil Maloney (w/enclosures)

Ian Brodsky, ICC Administrative Law Judge (w/enclosures)

Elizabeth Rolando, ICC Chief Clerk (w/enclosures)

Gene Beyer, Bureau Chief - ICC Bureau of Public Utilities (w/enclosures)

Joy Nicdao-Cuyugan, Director - ICC Financial Analysis Division (w/enclosures)

Mary Selvaggio, Manager - ICC Accounting Department (w/enclosures)

Cheri Harden, ICC Staff Case Manager (w/enclosures)

Steve Hickey, ICC Administrative Law Judges Division (w/enclosures)